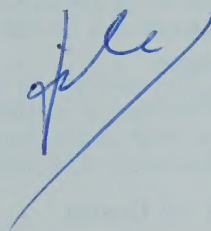


ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1963

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**Consolidated
Halliwell
Limited**

(No Personal Liability)

Consolidated Halliwell Limited

(No Personal Liability)



OFFICERS	MURRAY COOPER - - - - - President
	GEORGES BAUSSAN, FILS - - - - - Vice-President
	A. H. GRAETZ - - - - - Vice-President
	G. D. PATTISON, C.A. - - - - - Secretary
	R. D. BELL, C.A. - - - - - Treasurer
DIRECTORS	GEORGES BAUSSAN, FILS - - - - - Port-au-Prince, Haiti
	R. D. BELL - - - - - Toronto, Ontario
	MURRAY COOPER - - - - - Toronto, Ontario
	FRASER M. FELL - - - - - Toronto, Ontario
	MORTIMOR S. GORDON - - - - - New York, N.Y., U.S.A.
	A. H. GRAETZ - - - - - Massapequa, N.Y., U.S.A.
	HARRY HARRIS - - - - - New York, N.Y., U.S.A.
	H. W. KNIGHT, JR. - - - - - Toronto, Ontario
	WALTER H. KNORR - - - - - New York, N.Y., U.S.A.
	SAMUEL UNGERLEIDER - - - - - New York, N.Y., U.S.A.
	ARTHUR WHEELER - - - - - New York, N.Y., U.S.A.
BANKERS	THE ROYAL BANK OF CANADA - - - - - Toronto, Ontario
	THE MARINE MIDLAND TRUST COMPANY - - - - -
	OF NEW YORK - - - - - New York, N.Y., U.S.A.
AUDITORS	THORNE, MULHOLLAND, HOWSON & McPHERSON - - - - - Toronto, Ontario
TRANSFER AGENT AND REGISTRAR	EASTERN & CHARTERED TRUST COMPANY - - - - - Montreal, Quebec
EXECUTIVE OFFICE	SUITE 405 - 25 ADELAIDE STREET WEST - - - - - Toronto, Ontario
WHOLLY-OWNED SUBSIDIARY	SOCIETE D'EXPLOITATION ET DE DEVELOPPEMENT ECONOMIQUE ET NATUREL D'HAITI (SEDREN), S.A., PORT-AU-PRINCE, HAITI.
ANNUAL GENERAL MEETING	MONDAY, JUNE 29, 1964, MOUNT ROYAL HOTEL, MONTREAL, QUEBEC.

Consolidated Halliwell Limited

(No Personal Liability)

To the Shareholders
CONSOLIDATED HALLIWELL LIMITED
(No Personal Liability)

Your Directors present herewith the Annual Report of your Company, consisting of the following:

1. Report dated May 22, 1964, covering the activities of your Company's wholly-owned Haitian subsidiary, Sedren, S.A., for the fiscal year ended December 31, 1963, by W. J. Cook, Mine Manager.
2. Consolidated Financial Statement of the Company and its wholly-owned subsidiary for the year ended December 31, 1963, with Auditors' Report thereon dated March 3, 1964.

The Mine Manager's remarks, contained within this Annual Report, reveal in detail your subsidiary Company's operations in the Republic of Haiti during the year reviewed. Close to a \$400,000.00 increase in revenue from production and sale of concentrates permitted the annual reduction in the property mortgage in Haiti as well as the reduction of the Company's outstanding 6½% Sinking Fund Debentures from \$3,872,000 at December 31, 1962 to \$3,603,000 at December 31, 1963.

Management is pleased to point out operating profit increased to \$868,451.73 on total production revenue of \$3,232,994.43 in 1963 from \$744,225.46 and \$2,844,947.47, respectively, in 1962.

Although disappointed over the failure of the long adit driven into the Casseus property to indicate a greater copper content, management nevertheless is continuing to investigate the possibilities existing in some 7,000,000 tons of 0.65% copper contained within these workings. A feasibility study is to be made immediately to assess what possible mining and milling methods could be utilized to process this material economically.

Early last April your Company commenced a surface diamond drilling program, utilizing two drilling rigs on a two ten-hour shift basis, to explore the known mineralized area in close proximity to the main Meme workings. Drilling is being conducted to the north and to the east from the main mineralized zone. This exploration has shown some promise and warrants a continuation of the search for ore, not only in the extension of the existing ore zone but also at depth where encouraging results have been recently found. It is estimated that approximately 20,000 ft. of surface drilling will be performed to explore thoroughly the area's potential.

In conclusion, your Directors wish to extend their appreciation for the faithful service of Mr. W. J. Cook, Mine Manager, staff and Haitian employees. Your Directors would also like to advise shareholders of the fine spirit of co-operation existing between Mine management and Haitian officials familiar with operations of the mine.

Submitted on behalf of the Board of Directors,

MURRAY COOPER,
President.

Toronto, Ontario,
May 25, 1964.

Consolidated Halliwell Limited

(No Personal Liability)

President and Directors,
CONSOLIDATED HALLIWELL LIMITED,
Suite 405 - 25 Adelaide Street West,
Toronto 1, Ontario.

Gentlemen:

The following is a report of the activities of your wholly-owned subsidiary, Sedren, S.A., on its concession in the Terre Neuve district of Haiti, during the year 1963.

GENERAL PRODUCTION

Internal improvements accomplished during the 1962 fiscal year continued to have an important impact on production results during 1963. By treating lesser tonnages of ore having a higher grade copper content the mine established a new record in poundages of copper recovered and a resultant sizeable increase in the dollar value received on sale of concentrates to overseas smelters.

During 1963 the concentrator handled a total of 280,515 tons of ore compared with 282,000 tons milled the previous fiscal year. Concentrates produced had an estimated net realizable value under sales contract of \$3,232,994 compared with \$2,844,947 in 1962.

Production during the year totalled 17,837 tons of concentrates averaging 36.37% copper. Concentrates contained 12,973,066 lbs. copper and an estimated 6,778 ozs. gold and 107,022 ozs. silver. By comparison, 1962 production totalled 17,000 tons of concentrates averaging 33.70% copper and containing 11,460,758 lbs. copper, 7,149 ozs. gold and 94,761 ozs. silver.

CONCENTRATE SHIPMENTS

There were nine shipments of concentrates made to overseas smelters during 1963 compared with seven in 1962. A total of 16,225 short dry tons was loaded compared to 17,537 short dry tons in 1962.

WATER SUPPLY

The Mapou-Chevalier Valley artesian well system, located some seven miles distant from the mine, together with the normal amount of precipitation, provided an adequate water supply for all mining, milling and domestic purposes.

UNDERGROUND DEVELOPMENT

Principal work the first six months or more was confined to installation of a new incline shaft from the main, or 1500 adit level, to the 1700 level, and the establishment of a sub-level, to permit mining the main ore bodies existing between the two horizons. Otherwise, development was confined to stope preparation and mining on and between the three mine working levels. Details of stoping, boxholing and tramming operations on the levels are tabulated within this report.

CASSEUS EXPLORATION

Exploration activity was broadened on the Casseus property in the first four months of 1963 in an endeavour to test thoroughly the mine-making qualities of this area. To the end of April the adit was driven a distance of 530 ft. and, when stoped, was in sparsely mineralized material. A total of 1,292 ft. of diamond drilling was completed from the adit face and confirmed the low-grade character of the deposit as shown by the adit and surface drilling programs conducted during 1956 and 1957.

STOPING SUMMARY

The following tabulation indicates the source of ore and tonnages broken underground in 1963 together with ore trammed from working places and tonnages broken remaining in stopes at year end.

Stoping Summary — 1963			Tramming Summary — 1963		
Stope	Tons Broken	% Cu	Stope	Dry Tons Ore	% Cu
13-18	816	2.1	13-18	768	2.1
13-20-B	29,329	3.1	13-20-B	25,588	3.1
13-26-N	13,593	2.8	13-22	2,392	1.2
13-26-S	18,379	2.5	13-26-N	13,067	2.7
13-35	37,600	2.1	13-26-S	15,036	2.4
13-36	8,418	2.5	13-35	40,637	2.0
13-35/Pillar	1,178	2.2	13-36	7,753	2.4
13-39	11,155	2.3	13-35/Pillar	244	2.0
13-39/Pillar	4,199	3.2	13-37	11,741	2.2
13-45-W	310	1.6	13-39	8,954	2.3
13-45	15,420	1.8	13-39/Pillar	3,838	3.2
15-10	218	3.2	13-45	16,647	1.8
15-19	6,456	2.4	15-10	204	2.8
15-12	1,850	2.7	15-19	6,174	2.4
15-16	330	2.3	15-12	1,197	2.9
17-24/5	38,545	3.0	15-16	16,050	2.3
17-25/26 Pillar	9,595	2.8	17-24/5	24,279	3.2
17-27	5,670	2.7	17-26/6 Pillar	44,534	2.9
			17-27	27,432	2.7
	<u>203,061</u>	<u>2.55</u>			
				266,535	2.55
			Development	14,280	1.58
				<u>280,815</u>	<u>2.50</u>

Broken Ore Reserves — 1963		
Stope	Tons Ore	% Cu
13-20-B	667	2.0
13-26-S	612	2.5
13-36	210	2.4
13-35/Pillar	389	1.7
13-39	291	2.1
13-39/Pillar	98	2.2
13-45-W	300	1.4
15-12	560	2.2
15-16	1,805	2.0
17-24/5	11,835	2.5
17-25/26 Pillar	2,068	2.7
	<u>19,335</u>	<u>2.38</u>

PERSONNEL

The number of employees utilized in various phases of mining, milling and general maintenance at the mine varied from time to time. On January 1, 1963, there were 513 Haitians and 25 Canadians employed. On January 1, 1964, the payroll consisted of 541 Haitians and 24 Canadians. Personnel relations continued on an extremely satisfactory basis throughout the year.

ORE RESERVES

Ore reserves in the Meme mine on January 1, 1964, were calculated by the Chief Geologist at 454,000 tons averaging 2.48% copper. This figure does not include lower grade ore bodies which could be mined economically at an increased tonnage rate which is being contemplated by Management.

I wish to take this opportunity to express my appreciation for the spirit of co-operation existing between the Haitian subsidiary and the Government of the Republic of Haiti as well as to staff and employees.

Respectfully submitted,

W. J. COOK,
Mine Manager.

Port-au-Prince, Haiti,
May 22, 1964.

Consolidated Halliwell Limited

(No Personal Liability)

Auditors' Report

To the Shareholders of
CONSOLIDATED HALLIWELL LIMITED (No Personal Liability):

We have examined the consolidated balance sheet of Consolidated Halliwell Limited (No Personal Liability) and its wholly owned subsidiary as at December 31, 1963 and the consolidated statements of income, deficit and deferred exploration, development and administrative expenses for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and related consolidated statements of income, deficit and deferred exploration, development and administrative expenses are properly drawn up, except for the lack of provision for amortization and depreciation detailed in note 4, so as to exhibit a true and correct view of the combined state of the affairs of Consolidated Halliwell Limited and its wholly owned subsidiary as at December 31, 1963 and the results of their combined operations for the year ended on that date, in accordance with generally accepted accounting principles, except as indicated above, applied on a basis consistent with that of the preceding year.

THORNE, MULHOLLAND, HOWSON & McPHERSON,
Chartered Accountants.

Toronto, Canada,
March 3, 1964.

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ASSETS

CURRENT ASSETS:

Cash	41,751.39	
Accounts receivable	85,596.68	
Concentrates on hand and shipments in process of settlement, at estimated net realizable value under sales contracts (note 2)	2,206,319.32	
Less Payments received in advance of settlements	1,318,246.40	888,072.92
Mine and mill operating supplies, at cost	453,952.46	
Prepaid expenses	82,018.36	1,551,391.81

INVESTMENTS:

Preferred stock of Continental Copper & Steel Industries, Inc., 15,900 shares, at cost (market value \$268,312.50) (note 3)	397,500.00	
Shares of other mining companies, at nominal value (no market value)	1.00	397,501.00

FIXED ASSETS, at cost (note 4):

Mining lands and concession in the Republic of Haiti	40,631.85	
Roads	225,158.35	
Buildings, machinery and equipment	4,372,245.98	
Construction in progress	86,865.33	4,724,901.51

DEFERRED CHARGES:

Deferred exploration, development and administrative expenses (note 4)	4,777,972.73	
Discount on sinking fund debentures	64,220.00	4,842,192.73

EXCESS OF COST OF SHARES IN SUBSIDIARY OVER BOOK VALUE AT DATE OF ACQUISITION

822,314.67

\$ 12,338,301.72

Approved on behalf of the Board:

MURRAY COOPER, Director.

R. D. BELL, Director.

The accompanying notes are a

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laws of Quebec

ed subsidiary

ET DE DEVELOPPEMENT

D'HAITI (SEDREN), S.A.

of the Republic of Haiti

Balance Sheet

, 1963

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LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued expenses	419,462.47	
Accrued royalty (note 5)	240,874.89	
Notes payable to bank	834,485.68	
Mortgage payable, amount due within one year	270,235.00	1,765,058.04

LONG-TERM LIABILITIES, less amounts due within one year:

Mortgage payable in annual instalments to June 29, 1967 (note 3)	750,000.00	
Non-current accounts payable	18,771.13	
6½% Sinking fund debentures maturing May 31, 1965 (note 6)	3,603,000.00	4,371,771.13

CONTINGENT LIABILITIES (note 7)

6,136,829.17

SHAREHOLDERS' EQUITY

CAPITAL STOCK:

Authorized, 12,000,000 shares, par value \$1.00 each

Issued or to be issued:

	No. of shares or par value	Discount	Net
Balance at beginning of year	10,965,000	4,854,387.56	6,110,612.44
To be issued for de- benture interest (note 6)	677,721	406,632.60	271,088.40
Balance at end of year	11,642,721	5,261,020.16	6,381,700.84

DEFICIT	180,228.29	6,201,472.55
		<u>\$ 12,338,301.72</u>

This is the balance sheet referred to in our report to the shareholders dated March 3, 1964, and should be read in connection therewith.

THORNE, MULHOLLAND, HOWSON & McPHERSON,
Chartered Accountants.

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Consolidated Halliwell Limited

(No Personal Liability)

and its wholly owned subsidiary
SEDREN, S.A.

CONSOLIDATED STATEMENT OF INCOME

Year ended December 31, 1963

Production of concentrates, at estimated net realizable value under sales contracts			3,232,994.43
OPERATING EXPENSES:			
Mine development	92,016.86		
Mining	274,592.42		
Milling	183,766.50		
Mine general expense	1,499,525.16		
Royalty	193,979.67		
Administrative expenses	120,662.09	2,364,542.70	
			868,451.73
OTHER EXPENSES:			
Debenture interest	250,115.00		
Amortization of debenture discount	45,330.00		
Interest on mortgage	67,397.67		
Interest on bank loan	22,730.60		
Other interest and administrative expenses	90,501.93		
Directors' fees	4,192.50		
	480,267.70		
LESS:			
Dividends received, net of taxes withheld	13,912.48		
Profit on foreign exchange	43,511.08		
Other income	1,611.66	59,035.22	421,232.48
NET INCOME FOR YEAR (note 4)		\$	<u>447,219.25</u>

CONSOLIDATED STATEMENT OF DEFICIT

Year ended December 31, 1963

Deficit at beginning of year	627,447.54
Net income for year	447,219.25
DEFICIT AT END OF YEAR	<u>\$ 180,228.29</u>

Consolidated Halliwell Limited

(No Personal Liability)

and its wholly owned subsidiary
SEDREN, S.A.



NOTES TO CONSOLIDATED FINANCIAL STATEMENT

Year ended December 31, 1963

1. TRANSACTIONS IN U.S. CURRENCY:

The accounts of the subsidiary company in Haiti are maintained in U.S. dollars. Current assets and liabilities of the subsidiary have been translated into Canadian funds at the prevailing rate of exchange at the balance sheet date; all other assets and liabilities have been translated at par.

2. COPPER SALES CONTRACTS:

By agreement dated April 1, 1959, the company, together with its subsidiary, has contracted to deliver to Continental Copper & Steel Industries, Inc., 80,000,000 pounds of electrolytic copper in wire bars by June 30, 1964. To meet the requirement for delivery of copper in this form, the companies have contracted with Minerals & Chemicals Philipp Corporation, Philipp Brothers Division (Phibro) to deliver and sell to that company all copper concentrates produced from Sedren's Haitian property to June 30, 1964, and Phibro has agreed to sell to Continental electrolytic copper in wire bars in quantities equivalent to the copper content of concentrates delivered to it by Sedren, S.A. Up to December 31, 1963, concentrates having an estimated copper content of 33,635,000 pounds have been delivered or were available for delivery under these contracts.

The selling prices of concentrates delivered to Phibro are based on the copper content at average market price for the month following arrival of each shipment at port of destination. In accordance with the terms of the contract, Sedren grants to Continental a discount, which varies with market prices, on copper sold to Continental by Phibro, but in any event the selling price realized by Sedren shall not be less than 24¢ U.S. per pound.

Should the company fail to complete delivery of the 80,000,000 pounds of copper referred to above, Continental may at its option either terminate the agreement as to the undelivered portion or extend time to the company for making up the deficiency. Should the agreement be terminated the company would be obligated to pay to Continental liquidated damages, amounting to the discount to which Continental would have been entitled in respect to the undelivered portion of the contract. Based on the current quoted price of copper this discount would amount to 1¢ U.S. per pound.

3. PREFERRED STOCK OF CONTINENTAL COPPER & STEEL INDUSTRIES, INC.:

The 15,900 shares of 5%, \$25 par value, preferred stock of Continental Copper & Steel Industries, Inc., represent the balance of 60,000 shares acquired in 1961 by the subsidiary in consideration for which it gave to Continental its mortgage obligation of \$1,500,000.00 on all its real and immovable property in

Consolidated Halliwell Limited

(No Personal Liability)

and its wholly owned subsidiary
SEDREN, S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENT (continued)

Year ended December 31, 1963

Haiti, including the mining concession. The mortgage bears interest at 6% per annum and the balance thereof is payable in four annual instalments of \$250,000.00 U.S. from June 29, 1964 to 1967.

4. AMORTIZATION AND DEPRECIATION POLICY:

Amortization of deferred exploration, development and administrative expenses and depreciation of fixed assets has not been provided for in the financial statement as it is the policy of the company not to commence such write-offs until expiration of the first three years of commercial operations, during which it is exempt from Haitian income tax. The amounts which would otherwise have been provided for the years ended December 31, 1962 and 1963, based on proven ore reserves are as follows:

	1962	1963
Amortization of deferred exploration, development and administrative expenses	1,314,291.97	1,316,198.66
Depreciation of fixed assets	1,280,727.34	1,308,786.20
	<u>\$ 2,595,019.31</u>	<u>\$ 2,624,984.86</u>

Formal write-offs are expected to commence in 1964, when the three year tax exempt period will expire.

5. ROYALTIES:

By agreement dated April 29, 1955, the Government of the Republic of Haiti granted to Sedren the right to exploit for a period of twenty-five years, renewable under certain conditions for an additional twenty-five years, certain copper-bearing properties located in the Terre Neuve area of Haiti. The agreement provides for the payment of a royalty to the Government of 6% of net smelter returns, and of an annual tax which in 1963 amounted to \$22,500.00.

6. SINKING FUND DEBENTURES:

Under the terms of a supplemental trust indenture dated June 1, 1961 the company is required to set aside 75% of the annual net profits, as defined in the trust indenture, from the mining operations of the Haitian subsidiary, for retirement of the debentures, after providing \$500,000.00 as a working capital fund for the subsidiary.

Funds from the subsidiary's mining operations will be available to the company for retirement of debentures and other purposes only so long as payments made on the mortgage at least equal the aggregate

NOTES (continued)

payments by the subsidiary to the company, provided further that the subsidiary's working capital plus 50% of the then current market value of the Continental preferred shares which it holds shall, after making any such payments, be not less than \$500,000.00.

The supplemental trust indenture provides that debentures in the aggregate principal amount of \$816,500.00 registered in the name of National Outlook Corporation have preference over all other debentures as to payment of principal and as to security therefor.

The debenture holders have agreed

- (a) to accept shares of Consolidated Halliwell valued at 40¢ per share in settlement of the debenture interest due June 1, 1963, December 1, 1963 and June 1, 1964.
- (b) to subordinate their rights and interests under the principal indenture to the bankers of Sedren, S.A. to enable that company to borrow up to \$500,000.00 repayable on or before June 30, 1964.

7. CONTINGENT LIABILITIES:

The subsidiary company was, as at December 31, 1963, contingently liable for severance allowances which under Haitian law are payable to any employee discharged after three months or more of service. No provision has been made by the company for possible severance payments. The company follows the policy of meeting these obligations as they materialize, and charging such payments to expense when made.

An attorney has filed a claim against the company in the sum of \$39,000.00 for services allegedly rendered. The company has accrued \$5,000.00 in respect of this contingent liability.

Consolidated Halliwell Limited

(No Personal Liability)

and its wholly owned subsidiary
SEDREN, S.A.

CONSOLIDATED STATEMENT OF DEFERRED EXPLORATION, DEVELOPMENT AND ADMINISTRATIVE EXPENSES

Year ended December 31, 1963
(Note 4)

Balance at beginning of year	4,736,187.29
Exploration expenses incurred during year	41,785.44
BALANCE AT END OF YEAR	<u>\$ 4,777,972.73</u>

